

AR02

ANNUAL
REPORT

YELLOWKNIFE BEAR

MINES LIMITED

FOR THE YEAR ENDED JUNE 30th

1970



Yellowknife Bear Mines Limited

OFFICERS AND DIRECTORS

J. DOUGLAS STREIT, P.Eng. <i>President</i>	R. G. PRICE, P.Eng. <i>Vice-President</i>
W. E. REARDEN <i>Secretary</i>	J. F. PAXTON <i>Treasurer</i>
J. BRADLEY STREIT <i>Director</i>	WILSON E. MCLEAN, Q.C. <i>Director</i>
LEWIS B. HARDER <i>Director</i>	J. H. GRAY <i>Director</i>
HANS H. ESTIN <i>Director</i>	

CONSULTING ENGINEER

L. G. PHELAN, M.A.Sc., P.Eng.

TRANSFER AGENTS AND REGISTRARS

GUARANTY TRUST COMPANY OF CANADA
88 University Ave., Toronto 1, Ontario

GUARANTY TRUST COMPANY OF CANADA
311 - 8th Avenue West, Calgary, Alberta

REGISTRAR AND TRANSFER COMPANY
140 Cedar Street, New York, N.Y., U.S.A. #10006
15 Exchange Place, Jersey City, N.J., U.S.A. #07302

SOLICITORS

MCLEAN, LYONS AND KERR
Toronto, Ontario

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE, Toronto, Ont.
THE TORONTO-DOMINION BANK, Toronto, Ont.

AUDITORS

JOHNSON, STEWART, BOURNE, BROWN & COMPANY
Toronto, Ontario

HEAD OFFICE

360 Bay Street
Toronto 1, Ontario

Yellowknife Bear Mines Limited

To the Shareholders,
YELLOWKNIFE BEAR MINES LIMITED.

Your Directors are pleased to present their Report for the year ended June 30, 1970 together with detailed Financial Statements, Balance Sheets and Auditors' Report for the past fiscal year.

FINANCIAL

The Schedule of Marketable Investments and Current Assets as of June 30, 1970, amounted to \$18,730,188.00. This figure does not include 1,700,000 gross barrels of light oil reserves or various potential oil gas or mining properties which your Company owns. The decline in investment evaluation from last year was principally accounted for by a decline in the price of General Development, of which your Company owns 530,604 shares (including a 2% stock dividend as of June, 1970).

Gross Income during the year was up 14½% over last year. Following a policy of writing off exploration costs as they occur, has reduced net income below last year's figure. The largest single exploration cost written off was some \$303,165.00, being the seismic cost on 471,314 acres in the MacKenzie River Area. The figures on income do not include a 2% General Development stock dividend amounting to some \$200,000.00 at the current price of General Development stock on the New York Stock Exchange.

Dividend payments inaugurated in 1953 have been made by Yellowknife Bear in sixteen of the last eighteen years and without interruption for the last twelve years.

INVESTMENTS

General Development Corporation

General Development achieved record sales and earnings in the fiscal six months of 1970. Total sales were \$60,835,000.00, 11% ahead of the volume reported in the first six months of 1969. Net income showed an increase of 30% to \$8,010,000.00 at 81 cents per share compared to 62 cents per share for the first half of 1969. The new records for sales and earnings provide evidence of the maturity and strength of General Development, and particularly the effectiveness of the sales and marketing organization.

MIDCON OIL & GAS LIMITED

Yellowknife Bear holds 1,338,240 shares of Midcon Oil & Gas Limited, or approximately 31.12% of the issued capital.

Midcon and its partner Pembina Pipe Lines Ltd., each own a 50% interest in South Alberta Pipe Lines Ltd., which supplies gas under a long term escalating price contract to the 25 million dollar Northwest Nitro-Chemicals Ltd., fertilizer manufacturing plant at Medicine Hat and under separate contract directly to the City of Medicine Hat. South Alberta operates a 10½-inch diameter pipeline which takes gas 45 miles from the Etzikom field to the City of Medicine Hat and also operates a 14-mile 8-inch trunk gas gathering line in the Medicine Hat gas field. This pipeline system represents a total investment of over 2.2 million dollars.

For the fiscal year ended March 31, 1970, South Alberta gas sales were 4.47 billion cu. ft., a 2% increase over the previous year. The price of the gas to Northwest Nitro-Chemicals Ltd., is now 15.5¢ per M.C.F. but it increases 1.5¢ per M.C.F. every five years and the next price increase will be to 17.0¢ per M.C.F. in 1971.

Midcon and Pembina own about 60,000 acres of natural gas lease in the Medicine Hat gas field and have formed the Seven Persons Creek unit in the S.W. section of the field from which they produce Medicine Hat zone gas. They also own about 30,000 acres of shallower Milk River zone gas rights in this area. During the past year a significant Milk River gas play has developed in this

area and at Crown Lease sales earlier this year adjacent Milk River gas rights sold for about \$10.00 per acre. The economics of gathering this shallower Milk River zone gas are as present somewhat doubtful, but with a gathering system already in place for gathering the deeper Medicine Hat zone gas they may well find the Milk River gas reserves economic. Midcon is currently examining all data available on adjacent Milk River zone wells and will likely evaluate this zone with a test well on its leases this year.

Yellorex Mines Limited

Your Company owns 915,000 shares of Yellorex Mines Limited, which represents approximately one-third of the issued capital of Yellorex Mines Limited. As mentioned in last year's report Yellorex completed an agreement with Cominco Limited, whereby Cominco undertook to drive a drift from the producing gold property into the Yellorex property. If minerals of economic value were found, Cominco would then recover out of profits, all their expenses after crossing the Yellorex boundary and thereafter the profits would be split 50% to Yellorex and 50% to Cominco.

The drift has now been completed for a total of 2,722 feet, of which 1,495 feet is within Yellorex's boundary. Ring drilling at 200 foot intervals is now in progress.

EXPLORATION (OIL & GAS)

The major discovery of oil on the Alaska north slope at Prudhoe Bay in 1968 has resulted in intensified interest in petroleum prospects of the Canadian Arctic. It has been estimated that over 50% of Canadian conventional oil and gas reserves are located north of Latitude 60°.

Following the announcement of the Prudhoe Bay discovery, Yellowknife Bear moved quickly to establish a significant but carefully selected land position in the Canadian Arctic Islands in order to take part in this new exploration play in the Canadian North. In August and September 1968 your Company acquired 482,223 acres of Federal Government Petroleum Permits in four different areas of the Canadian Arctic Islands. At the same time Midcon Oil & Gas (in which Yellowknife Bear holds a 31.12% Interest) and Inter-Rock Oil Co. of Canada Limited (a Midcon subsidiary) filed on an additional 260,797 acres of Arctic Permits. These permits which are shown on Map 1, were carefully selected to give your Company broad coverage along the Arctic Island section of the geological trend which runs from the North coast of Alaska west of Prudhoe Bay, east of the Canadian MacKenzie River Delta then northeast across the Canadian Arctic Islands.

Some of these permits have already been exposed to nearby exploration activity at no cost to your Company. Pan Arctic has recently completed drilling at Hoodoo Dome Wildcat at a location about 7½ miles from the nearest Inter-Rock permit and only 15 miles from a Yellowknife Bear permit. Pan Arctic has said that because of the size and complexity of the Hoodoo structure, several more wells will be needed to adequately test the potential. Pan Arctic are also scheduled to drill a well later this year, on Amund Ringnes Island which will give our permits in this area additional exposure.

All these Arctic Island permits shown on Map 1, have been renewed until August 1972 at no cost to Yellowknife and its associated companies Midcon and Inter-Rock, and are being carried under a farmout arrangement whereby the farmee can earn from 25% to 50% interest in the permits by conducting a stipulated minimum exploratory program over a four to six year period.

In addition to the aforementioned permits Yellowknife Bear holds a 100% interest in 162,118 acres of permit in the Beaufort Sea contiguous to the Alaska boundary, 310,776 acres off the east coast of Baffin Island and 277,299 acres of permit in Hudson's Bay.

Mackenzie River Area (Map 2)

In August 1969, Yellowknife Bear engaged Compagnie Generale Geophysique to conduct a seismic survey on our 471,314 acres permit block located about 100 miles east of the Mackenzie River Delta town of Inuvik. The line cutting, surveying and drilling was completed and all explosive charges were laid but owing to an unexpected thaw of over two feet of surface permafrost (the first in 10 years), it was impossible to complete the survey until after freeze-up. We recently obtained the services of a recording crew of Ray Geophysical who were in this area to complete the survey, which is now being processed in a computer centre for interpretation. The seismic survey covers the southeastern portion of our permit block and is tied in to a C.P.O.G. hole located just east of our permit block.

This property is about 75 miles south of the Imperial Oil Atkinson H. 25 well which earlier this year discovered oil in the cretaceous sands at a depth of about 5,700 feet.

Great Bear Lake Area (Map 4)

In the summer of 1969 Yellowknife Bear obtained a one-third interest in 861,687 acres of Petroleum Permit along the south-west shore of Great Bear Lake jointly with Alminex and Canadian Export Gas and Oil. Midcon and Inter-Rock also hold 319,411 acres of permit in this area.

Under the management of Alminex, a group which also includes Yellowknife Bear, Midcon, Inter-Rock, Canadian Export and Ram Petroleum have recently contracted with Teledyne Exploration to conduct a marine seismic survey over various permits (which total 1,420,909 acres for the entire group) late this summer. Mobil Oil and Atlantic Richfield who hold permit blocks to the north of us are now conducting marine seismic operations on their permits and we hope to trade seismic information with them in this area.

These Great Bear Lake permits were acquired by Yellowknife Bear in 1969 because your directors believed the MacKenzie valley just west of the lake would some day be the route of gas and oil pipelines to tie vast Prudhoe Bay oil and gas reserves into the markets of the south 48 States and would therefore offer a market outlet for any gas or oil which might be discovered in this presently remote area.

During the past month the Alberta Gas Trunk Line Co. Ltd., and a consortium consisting of Trans Canada Pipelines Ltd., British Petroleums, Humble Oil Co., and other associates have both announced major feasibility studies of a 48 inch gas pipeline from Alaska via the MacKenzie River route to Alberta and the USA so our transportation problems appear to be close to solution. Our objective now is to find oil or gas in commercial quantities on our large block of permits which appears to hold considerable geological promise.

Alberta Gas Exploration

Yellowknife Bear holds an interest in two foothills deep test gas wildcats drilled in Alberta this year. The first well, Dome Lobley 7-34 in which Yellowknife has a 10% interest is located near Sundre in West Central Alberta about 30 miles S.E. of the Strachan Gas field. This well has been cased and is now being tested. It appears to be a small gas well. Yellowknife also holds a 5% interest in the Texas Gulf Kakwa well now being drilled in Twp. 62, Rg. 7W6th in the Northern Alberta foothills. This well will earn our group a 50% interest in 29,920 acres of lease from Union Oil of Canada Ltd. Yellowknife already had a 5% interest in a 115,200 acre block just south of the Kakwa well in association with Texas Gulf, Dome Petroleum, Canadian Chieftain, Blue Crown Petroleums and Canadian Delhi Oil Ltd., and our group and Union had carried out seismic surveys prior to spudding the Kakwa well. The Kakwa well is being drilled on a seismic anomaly in search of a deep natural gas reservoir and is licensed to a depth of 17,000 feet. The well is now reaching the critical depth and has encountered high pressure gas blows, but due to the fact that there is open crown land in the area, it is being treated as a tight hole and we are unable to release any information on it at this time.

Cold Lake, Alberta

The Cold Lake thermal oil recovery project is to be continued until September 30 of this year by Mobil Oil, Great Plains and Yellowknife Bear at which time we will review the results to determine our future course of action. We have already recovered over 60,000 barrels of oil from Cold Lake but at existing market prices for this heavy oil the economics would at best be very marginal even on a large scale project. We have, however, demonstrated that it is technically possible to produce this oil on a steady basis and an enormous reserve of heavy oil is available from this source if a better market price could be obtained for this oil.

EXPLORATION (MINERAL)

Nueltin Project, N.W.T. (Map 3)

The 1969 reconnaissance work on six exploration permits in Keewatin district resulted in encouraging evidence of base metal mineralization.

At the end of the 1969 field season Combustion Engineering withdrew from the project. Imperial Oil Enterprises has since joined the project and the various percentages have been revised so that Yellowknife Bear now holds a net 31.7% interest. Two permits and parts of others have been dropped and one new permit acquired; present holdings total 646,335 acres.

The 1970 program, consisting of more detailed geophysical and geological studies has as its goal the outlining of definite drilling targets for 1971. The preliminary results so far available continue to be encouraging; copper mineralization has been found in the permits; grade and extent have yet to be established.

Wollaston Area, Saskatchewan (Map 3)

Yellowknife Bear (50%) and Chieftain Development (50%) jointly hold a 300 square mile permit adjoining Gulf Minerals' holdings in Wollaston area, Saskatchewan. In 1969 Keevil Mining Group undertook work commitments to earn a 50% interest. After indeterminate results from airborne and some ground examination the permit was returned to Yellowknife Bear and Chieftain, who have in 1970 placed a crew on the property to carry out geochemical surveys and prospecting work.

Port Hardy Option, B.C.

Yellowknife Bear (60%) and Ram Petroleums (40%) have optioned a 22 claims group adjoining Utah Construction's very large copper deposit now being readied for production at Port Hardy on Vancouver Island.

Geological studies and geophysical and geochemical surveys have been completed on the option. Diamond drilling is now in progress.

Mississagi Syndicate, Ontario

The Syndicate (Yellowknife Bear 50%) held 1,027 claims in Blind River uranium area of which 529 were farmed out to Pacific Petroleums Ltd., and the balance to Subeo Ltd.

Subeo has completed various studies and proposes to retain 77 claims on which they would drill, returning the balance to the Syndicate. Pacific drilled one hole with negative results, then drilled a second to 4,300 feet, stopping when it became evident that target depth exceeded 6,000 feet. Pacific retains its interest in 183 claims, returning the balance to the Syndicate.

During the past winter Cominco and Consolidated Morrison announced encouraging results from a drill hole about 2 miles east of the Pacific portion of the Syndicate holdings, and undertook a stepped-up program with several holes going down. Results of this work are awaited.

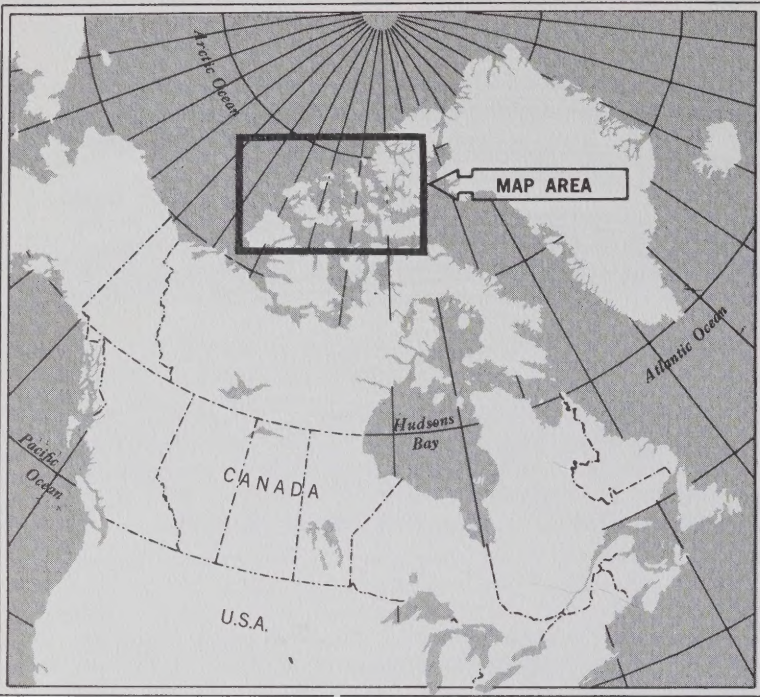
Borealis Projects, Quebec & Huronian Project, Ontario

3,300 feet of drilling on Borealis and 4,600 feet of drilling on Huronian had negative results. In view of the depressed uranium market these projects are now dormant.

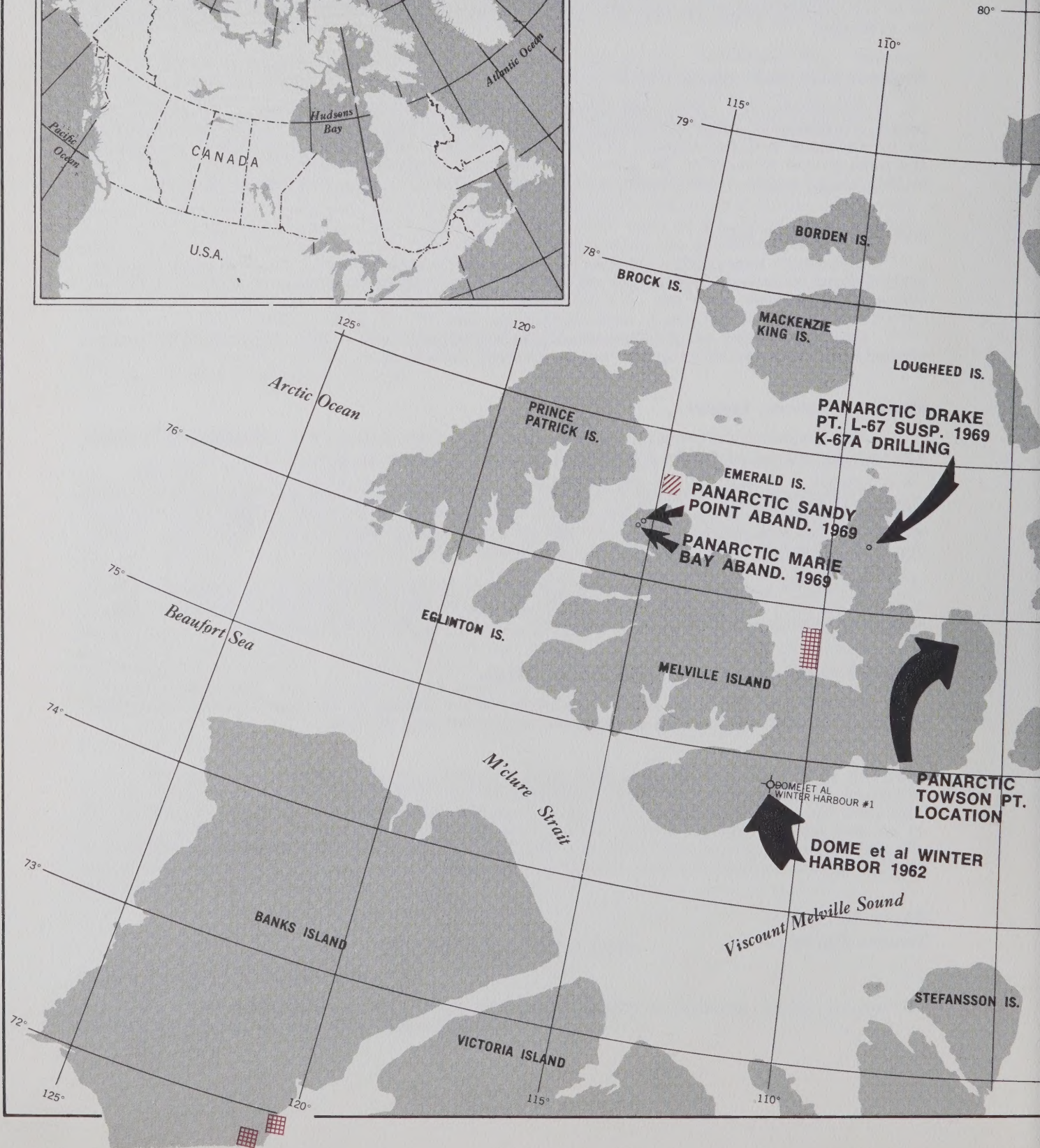
On behalf of the Board of Directors,

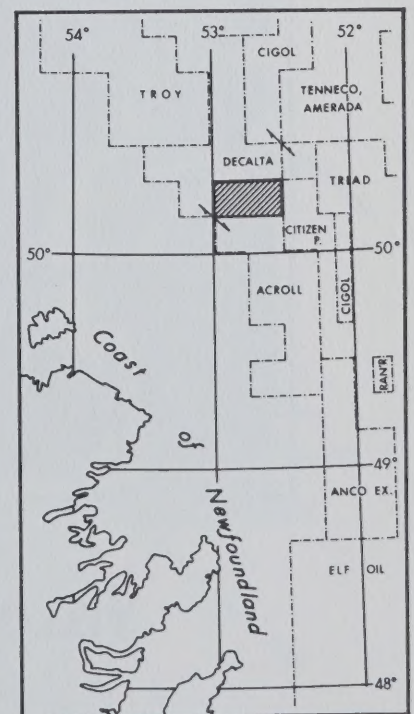
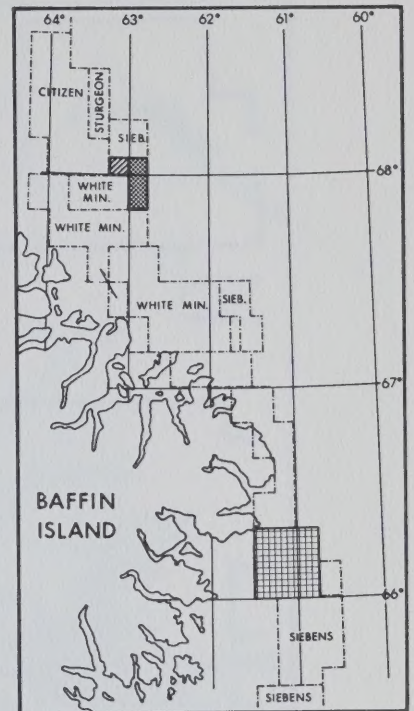
J. DOUGLAS STREIT,
President.

August 20, 1970
Toronto, Canada.

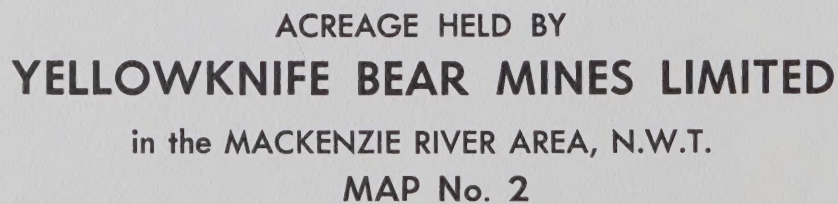


-  YELLOWKNIFE BEAR
 -  MIDCON PERMITS
 -  INTER - ROCK
- Arctic Ocean

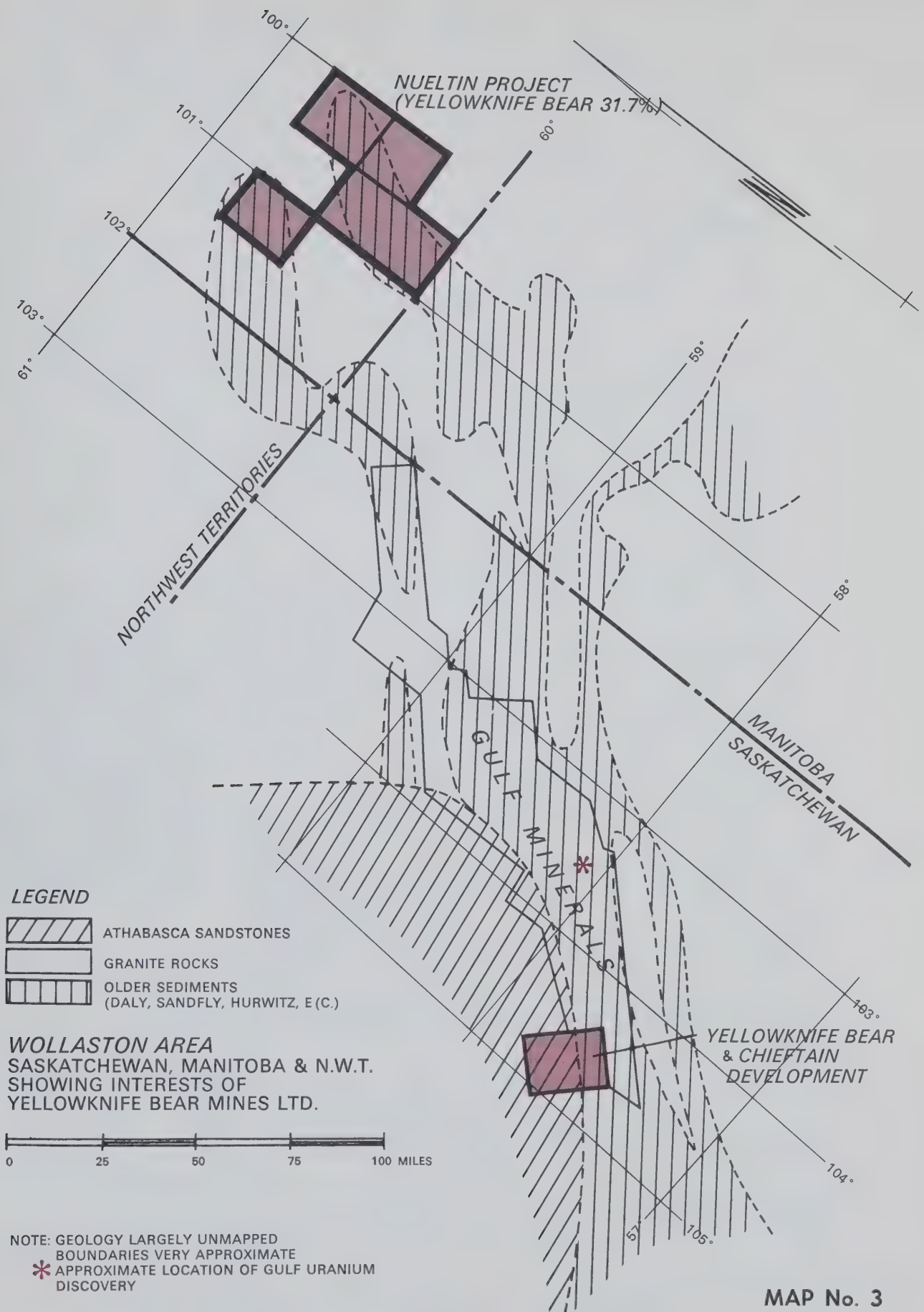


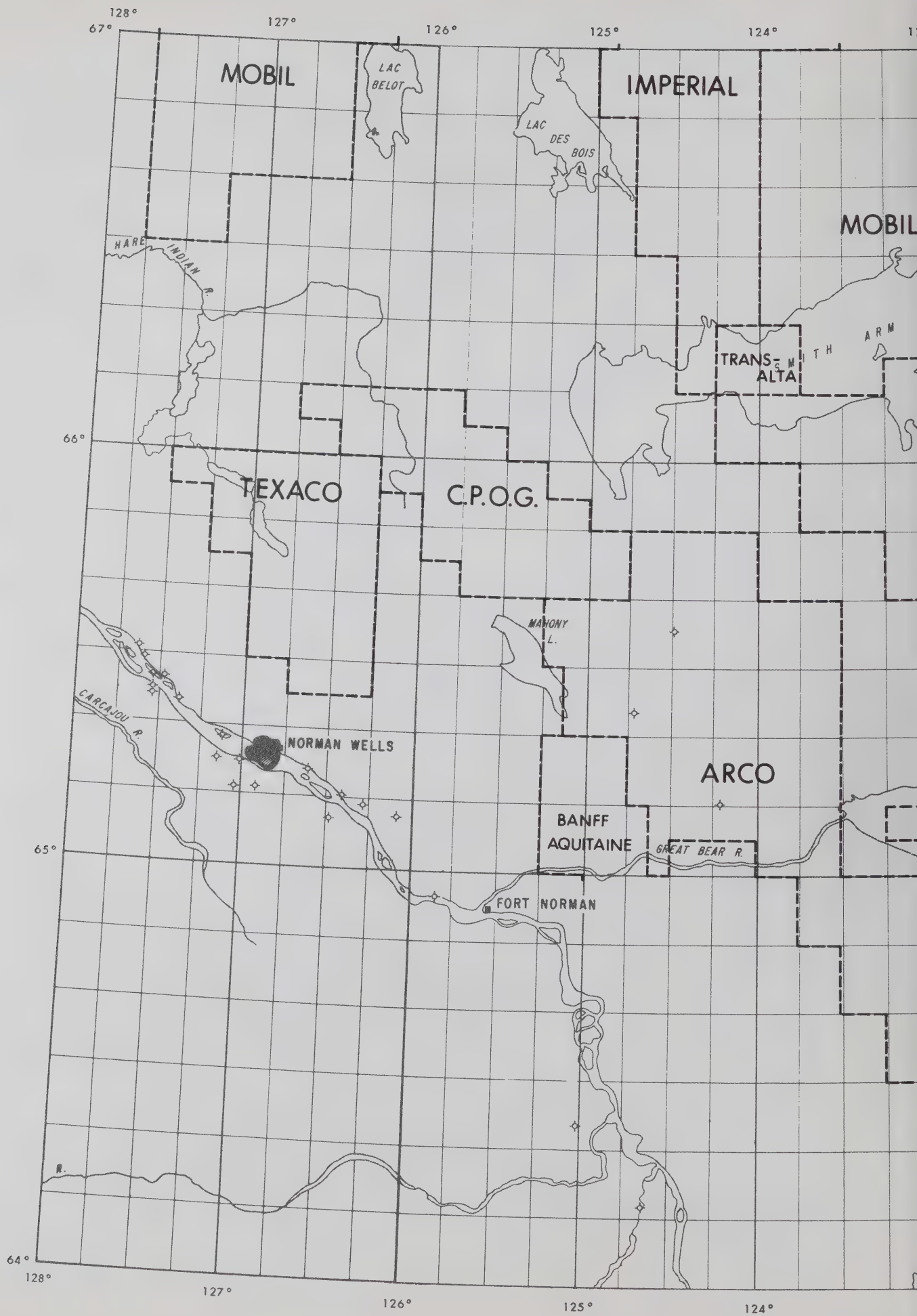


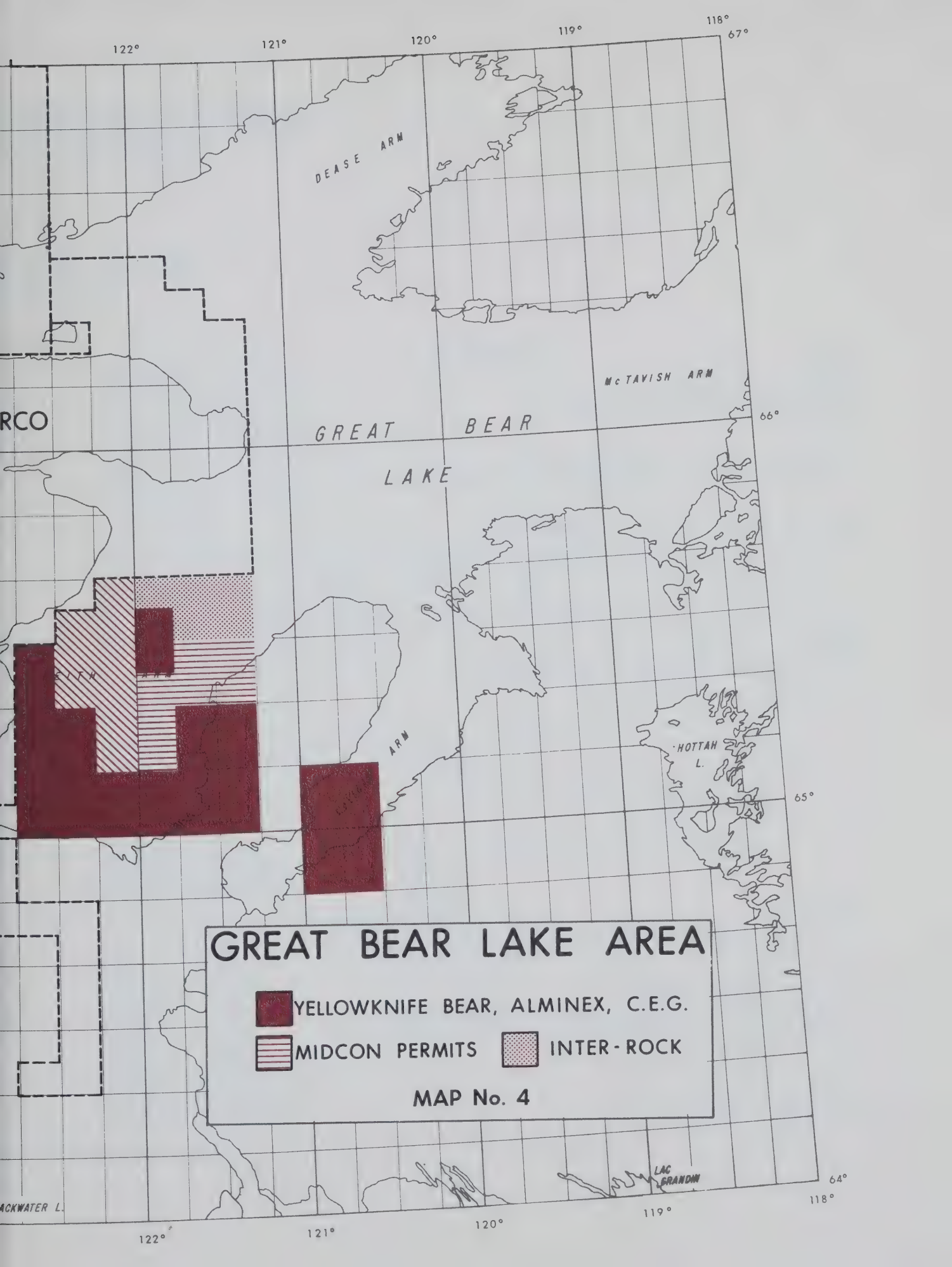
MAP No. 1



MAP No. 2







DEASE ARM

McTAVISH ARM

GREAT BEAR LAKE

ARM

HOTTAH L.

LAC GRANDIN

BLACKWATER L.

GREAT BEAR LAKE AREA



YELLOWKNIFE BEAR, ALMINEX, C.E.G.



MIDCON PERMITS



INTER-ROCK

MAP No. 4

Yellowknife Bear

(Incorporated under the Law of the Northwest Territories)

Balance Sheet as at December 31, 1970

(With comparative figures for 1969)

ASSETS		1970	1969
Current			
Cash and interest bearing term deposits		\$ 1,327,971	\$ 3,705,722
Sundry receivable and prepayments		125,870	45,994
		<u>\$ 1,453,841</u>	<u>\$ 3,751,716</u>
Marketable Investments, at cost (Notes 2 & 3)			
(Quoted market value \$17,276,347; 1969 — \$27,648,062)		<u>\$ 9,224,521</u>	<u>\$ 8,064,008</u>
Interests in Oil and Natural Gas Properties (Note 4)			
Oil and natural gas reservation, at nominal value		\$ 1	\$ 1
Oil and natural gas reservations, leases and exploratory permits, at cost		1,505,332	1,040,090
Oil well development and equipment, at cost — less net income to date		744,932	650,366
		<u>\$ 2,250,265</u>	<u>\$ 1,690,457</u>
Investments in Subsidiary and Other Companies, at Cost Less Amounts Written Off or Reserved (per Schedule)			
Subsidiary Companies (Note 1)			
— Shareholdings		\$ 5	\$ 5
— Cash advances		5	5
Other Companies			
— Shareholdings, less allowance for decline in value of \$116,123; 1969 — \$74,256		143,340	195,907
— Cash advances		5,173	1,249
— Cash advances to Columbia Metals Corporation Limited (Note 5)		383,462	383,462
		<u>\$ 531,985</u>	<u>\$ 580,628</u>
Other Assets			
Drilling deposit (represented by Government of Canada bonds, at cost, par value \$6,000 — quoted market value \$3,000; 1969 — \$3,180)		\$ 4,830	\$ 4,830
Mining properties, at cost		57,131	65,186
Deferred mining, exploration and development expenditures		312,538	312,538
Fixed assets, at cost (less accumulated depreciation of \$3,200; 1969 — Nil)		12,799	15,999
		<u>\$ 387,298</u>	<u>\$ 398,553</u>
		<u><u>\$13,847,910</u></u>	<u><u>\$14,485,362</u></u>

This is the balance sheet referred to in the auditors' report.

Mines Limited

(Incorporated in the Province of Ontario)

at June 30, 1970

(figures for 1969)

LIABILITIES			
Current		<u>1970</u>	<u>1969</u>
Accounts payable		\$ 32,315	\$ 87,685

SHAREHOLDERS' EQUITY			
Capital Stock			
Authorized			
5,000,000 shares — par value \$1 each			
Issued and Fully Paid			
4,814,041 shares		\$ 4,814,041	\$ 4,814,041
Retained Earnings		9,001,554	9,583,636
		<u>\$13,815,595</u>	<u>\$14,397,677</u>

The accompanying notes form an integral part of the financial statements and should be read in conjunction therewith.

Approved on behalf of the Board:

J. DOUGLAS STREIT, Director.

W. E. REARDEN, Director.

<u>\$13,847,910</u>	<u>\$14,485,362</u>
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Report to the shareholders dated July 17, 1970.

JOHNSON, STEWART, BOURNE, BROWN & CO.

Chartered Accountants

335 Bay Street
Toronto 1, Canada

AUDITORS' REPORT

To the Shareholders of
YELLOWKNIFE BEAR MINES LIMITED:

We have examined the balance sheet of Yellowknife Bear Mines Limited as at June 30, 1970 and the accompanying statements of income and expense, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

JOHNSON, STEWART, BOURNE, BROWN & CO.,

Chartered Accountants.

Toronto, Ontario,
July 17, 1970.

Yellowknife Bear Mines Limited

SCHEDULE OF MARKETABLE INVESTMENTS

For the Year Ended — June 30, 1970

	No. of shares	Cost	Market Value
Advocate Mines Ltd.	15,000	\$ 40,989	\$ 30,000
Alcan Aluminum Ltd.	10,000	243,155	216,250
Alleghany Corp.	10,000	182,773	65,900
Alminex Ltd.	181,600	425,682	681,000
Atlas Yellowknife Mines Ltd.	1,000,000	50,000	30,362
Bell Telephone Co. of Canada — common	15,000	767,917	628,125
— preferred \$3.20	1,000	47,132	49,250
Broulan Reef Mines Ltd.	86,200	122,404	17,240
Brunswick Mining & Smelting Corp.	5,000	71,725	28,250
Canadian Pacific Investments	2,000	45,193	42,500
Canadian Pacific Railway Co. 4% Pfd.	15,000	153,878	116,250
Central-Del Rio Oils Ltd.	5,000	77,750	46,000
Cerro Corporation	17,535	679,529	330,710
Chib-Kayrand Copper Mines Ltd.	93,750	59,850	9,375
Cominco Ltd.	15,000	664,429	316,875
Copperweld Steel Co.	2,000	60,733	29,200
Diamond Shamrock Corp. — Pfd.	2,250	31,540	31,680
— Common	3,375	80,501	42,728
Du Pont of Canada Ltd.	1,000	35,831	16,000
Du Pont (E.I.) De Nemours	2,500	394,060	294,275
Ex-Cell-O Corporation	5,000	133,677	91,050
Falconbridge Nickel Mines Ltd.	10,000	83,500	140,500
General Development Corp.	530,604	5,000	10,346,778
Gulf Oil Canada Ltd.	8,000	142,090	117,000
Hawker Siddeley Canada Ltd.			
INA Corporation	10,000	358,183	251,900
Imperial General Properties Ltd.	15,000	94,676	29,250
International Nickel Co. of Canada Ltd.	2,500	82,238	98,125
International Paper Co.	2,500	88,614	78,800
Kawecki Berylco Industries	10,300	222,853	141,007
Microsystems International Ltd.	1,000	10,028	6,500
Midcon Oil & Gas Ltd.	1,338,240	688,514	669,120
Newmount Mining Corporation \$4.50 Preferred	4,250	412,756	386,622
Northgate Exploration Ltd.	10,000	120,877	108,750
Opemiska Copper Mines (Que.) Ltd.	10,000	91,265	130,000
Ridgeway Corp.	86,000	179,457	172,000
Safeway Stores	10,000	309,899	275,200
St. Regis Paper Co.	2,500	89,052	80,100
Santa Fe Industries	3,500	131,890	59,675
Scott Paper Ltd.	4,000	134,793	105,920
Seaboard Airline Railroad Co.	4,000	187,196	96,120
Southern Pacific Co. (Delaware)	10,000	460,022	244,200
Steel Company of Canada Limited	10,000	248,759	212,500
Union Pacific Railroad	9,000	531,937	268,560
United Brands Company	10,000	182,174	144,700
		<u>\$9,224,521</u>	<u>\$17,276,347</u>

Yellowknife Bear Mines Limited

STATEMENT OF RETAINED EARNINGS

For the Year Ended June 30, 1970

(With comparative figures for 1969)

	1970	1969
Balance — Beginning of the Year	\$9,583,636	\$7,548,894
Add: Profit for the year	—	244,538
Net gain on sale of investments	—	2,108,974
	<u>\$9,583,636</u>	<u>\$9,902,406</u>
Deduct: Net loss for the year	\$ 67,968	\$ —
Net loss on sale of investments	27,559	—
Dividends declared and paid	385,123	385,123
Write down of investments in subsidiary — cash advances ..	1,131	795
Adjustment for the year in the allowance for decline in value of investments in other companies	48,107	(67,148)
Cost of mining claims abandoned	14,055	—
Cost of oil and natural gas reservations, leases and exploratory permits written off	23,259	—
Cost of well costs abandoned	14,880	—
	<u>\$ 582,082</u>	<u>\$ 318,770</u>
Balance — End of the Year	<u>\$9,001,554</u>	<u>\$9,583,636</u>

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 1970

- NOTE 1: Consolidated financial statements were not prepared for the reason that the assets of certain subsidiary companies consist principally of unpatented and unproductive mining properties for which shares of the capital stock of the subsidiaries have been issued at varying prices. It is the opinion of the Company's directors that consolidated financial statements would not truly reflect the position of the Company's affairs.
- NOTE 2: Ridgeway Corporation, a Company incorporated under the laws of the State of Michigan, U.S.A. is in the process of complete liquidation. The Company's net cost in Ridgeway Corporation is stated in U.S. dollars, and amounts to \$179,457. Market value in Canadian dollars has been based on the closing quotation of the over-the-counter market as at June 30, 1970. Dependent upon the outcome of assessment of income taxes, it is estimated the Company's share in future distributions will be between \$90,000 and \$175,000.
- NOTE 3: Investment cost and quoted market values of foreign corporations are stated in Canadian currency, except as indicated in Note 2.
- NOTE 4: No provision has been made for the depletion of lease acquisition costs.
- NOTE 5: Cash advances to Columbia Metals Corporation Limited, in the amount of \$383,462, the bulk of which was made in the years 1951-53, are repayable, without interest, only out of production and are due by instalments equal to 10% of net smelter receipts.
- NOTE 6: The aggregate remuneration received by Directors as Directors, Officers or Employees amounted to \$15,000 for the year.
- NOTE 7: Included in the foreign exchange loss of \$33,797 is the effect of the Government's decision to allow the Canadian dollar to float in International Money Markets.

Yellowknife Bear Mines Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended June 30, 1970

(With comparative figures for 1969)

Source of Funds	1970	1969
From operations		
Net profit for year	\$ —	\$ 244,538
Reduction of oil well development costs	—	31,826
Proceeds from sale of investments	27,001	3,619,279
Research and development grant	12,250	—
Conversion of advances — Summit Limited Partnership	—	67,461
	<u>\$ 39,251</u>	<u>\$3,963,104</u>
Application of Funds		
From operations		
Net loss for year before provision for depreciation of \$3,200	\$ 64,768	\$ —
Purchase of investments — marketable	1,200,513	2,535,281
— other	10,100	77,561
Cash advances to subsidiary and other companies	5,055	1,818
Purchase of interest in oil and natural gas reservations, leases and exploratory permits	488,501	281,817
Oil well development and equipment expenditures	111,696	145,648
Dividends declared and paid	385,123	385,123
Purchase of mining claims	6,000	29,200
Purchase of fixed assets	—	14,866
	<u>\$2,281,756</u>	<u>\$3,471,314</u>
Working Capital Increase (Decrease)	<u>(\$2,242,505)</u>	<u>\$ 491,790</u>
Working capital — beginning of year	<u>3,664,031</u>	<u>3,172,241</u>
Working Capital — End of Year	<u>\$1,421,526</u>	<u>\$3,664,031</u>

Yellowknife Bear Mines Limited

STATEMENT OF INCOME AND EXPENSE

For the Year Ended June 30, 1970

(With comparative figures for 1969)

	1970	1969
Income		
Participation in Oil Revenue after deducting royalties and production expenses	\$ 85,038	\$ 54,826
Deduct — Oil and gas exploration expenses	383,761	23,000
	(\$ 298,723)	\$ 31,826
Deduct — Applied to Oil Well Development costs	—	31,826
Net Oil Operating Profit (Loss)	(\$ 298,723)	\$ —
Other Income		
Dividends received from Canadian Corporations	\$ 151,026	\$ 191,910
Dividends received from Foreign Corporations — net	152,082	82,861
Interest earned	178,973	166,133
Gain (loss) on foreign exchange (Note 7)	(33,797)	6,706
	\$ 448,284	\$ 447,610
Exploration and Development Expenses — Mining		
Engineering fees and expenses	\$ 1,709	\$ 13,446
Mining exploration	111,542	83,400
Maps and blueprints	34	114
Taxes and licenses	2,821	1,698
	\$ 116,106	\$ 98,658
General and Administrative Expenses		
Depreciation	\$ 3,200	\$ —
Directors' fees	3,000	1,500
General and office	11,948	8,555
Interest and bank charges	2,142	2,499
Legal and audit	6,609	8,626
Rent and office services	10,200	11,200
Salaries — management and office	18,017	18,700
Share certificate expense	3,214	5,506
Shareholders' reports and information	11,525	8,109
Telephone and telegraph	1,398	2,035
Transfer and registrar expense	28,498	35,275
Travel	1,672	2,409
	\$ 101,423	\$ 104,414
Profit (Loss) for the Year	(\$ 67,968)	\$ 244,538

Yellowknife Bear Mines Limited

SCHEDULE OF INVESTMENTS IN SUBSIDIARY AND OTHER COMPANIES

As at June 30, 1970

	Shares		Cost or Nominal Value	Allowance for Decline in value at June 30, 1970	Nominal Value as at June 30, 1970 except as noted below
	Free	Escrowed or Pooled			
Shareholdings in Subsidiary Companies					
Admiral Yellowknife Mines Limited	7,500	1,092,500	\$ 1	\$	1
Manridge Mines Limited	677,722	753,000	1		1
Moher Yellowknife Gold Mines Limited	5	1,000,000	1		1
Neptune Gold Mines Limited	350,005	650,000	1		1
Vallee Lithium Mining Corporation Limited	199,850	438,750	1		1
		638,600	<u>\$ 5</u>		<u>5</u>
Shareholding in Other Companies					
Brikon Explorations Limited	6,500		\$ 1		1
Columbia Metals Corporation Limited	633	379,534	1		1
Gripp Lake Mines Limited	10,000		1		1
Lynx Yellowknife Gold Mines Limited		34,200	—		—
Mexicanus Explorations — Common	20,000	20,000	200		200 (b)
— Preferred	20,000	20,000	20,000		20,000 (b)
New Blondeau Nickel Mines Limited	75,000	75,000	1		1
Pickering Metal Mines Limited	83,200	83,200	14,726	13,062	1,664 (a)
Rich Group Yellowknife Mines Limited	154,843	900,000	41,870	10,901	30,969 (a)
Transator Explorations Limited	50		1		1
Ungava Copper Corporation	222,134		1		1
Uranium King Corporation	107,947		67,461		67,461 (b)
Yellorex Mines Limited	105,000	810,000	115,200	92,160	23,040 (a)
			<u>\$ 259,463</u>	<u>\$ 116,123</u>	<u>\$ 143,340</u>

(a) Market Value of free shares only — unlisted companies

(b) Cost

Transactions During Current Fiscal Year

- 52,000 shares Transcontinental Resources Limited sold
- 10,000 Common and 10,000 Preferred shares of Mexicanus Explorations purchased



To the Shareholders of YELLOWKNIFE BEAR MINES LIMITED

Enclosed is the six-month report of your Company as of December 31, 1970. The Marketable investments and current assets as of that date amounted to \$24,300,000.00 compared to \$18,700,000.00 on June 30, 1970. These figures do not include 1,650,000 gross barrels of light oil reserves or various potential oil, gas or mining properties which your Company holds. These mineral and petroleum permit holdings range from the Labrador Coast in the East, through Québec, Ontario, Hudson Bay, Canadian Arctic Islands, and the Northwest Territories.

MACKENZIE RIVER AREA, NORTHWEST TERRITORIES

Yellowknife Bear in 1970 completed a 100% seismic survey across the southern half of ten permits (471,314 acres) which Yellowknife owns in this area. The seismic survey indicated various anomalous features, one of which appears to be quite large. A Letter of Intent to be followed by formal agreement has been entered into between Yellowknife Bear and Texaco Canada Limited whereby Texaco will conduct a 400% (minimum) C.D.P. seismic survey to be started immediately and to be completed before spring break-up. Thereafter Texaco has until July 31, 1971, to commit to drill a well to 5,000 feet or 500 feet into the Ronning Group, whichever is the greater depth. Such well is to be spudded before March 1, 1972. This well will earn Texaco a 50% interest in five of the ten permits. If that Company drills a second well, it will earn a 50% interest in the remaining five permits. As stated above the seismic operations are expected to start immediately.

NORMAN WELLS, NORTHWEST TERRITORIES

In December 1970, Yellowknife Bear entered into a farmout agreement covering a total of 469,072 acres of permit south of Norman Wells in the MacKenzie Valley, Northwest Territories. This is a joint venture arrangement managed by Canadian Delhi (a subsidiary of Standard Oil of Ohio). The interests of the "Delhi Group" are shared 25% by Yellowknife Bear, 25% by Michigan Wisconsin Pipe Line Company, and 50% by Canadian Delhi. The Delhi Group has undertaken to participate in the drilling of three exploratory wildcat wells during this winter

(1970-1971) drilling season. The first well, Decalta Keele River 1-10, of which Yellowknife Bear paid 6¼% of the costs, was abandoned in January 1971, but it earned Yellowknife Bear an interest in 83,001 acres of permit. Two additional wildcat wells are scheduled this winter. Each well is to be drilled on a separate seismic feature and Yellowknife Bear will have a 12½% interest in each of them. On completion of this winter's drilling program, Yellowknife Bear will have earned an interest in 165,340 permit acres and will have the continuing option with the Delhi Group to earn an interest in the remaining 303,732 acres of the farmout by future exploratory work. We also have a seismic option on about 50,000 permit acres south of the farmout lands.

This farmout agreement will establish for Yellowknife Bear a significant land position in the heart of the MacKenzie Valley, part of which will be located within 50 miles of the Norman Wells oilfield. We believe this is excellent oil and gas prospecting country and that within a few years there will be both major gas and oil pipelines along this MacKenzie Valley route to provide market outlets for any substantial discoveries which may be made in this area.

COLUMBIA METALS CORPORATION LTD.

This Company reports that the concentrator mill now on its property near Ferguson, British Columbia, should be ready for run-in and tune-up the end of this month.

The metal content of the ore reserves consist of gold, silver, copper, lead, zinc and cadmium. Exploration and development to date confirm high grade deposits of these ores and indicate very interesting potentials.

Yellowknife Bear has slightly over 10% of the issued equity shares which are listed on The Toronto Stock Exchange and will receive 10% of the net smelter receipts on all concentrate sales in repayment of monies advanced some years ago to Columbia Metals.

On behalf of the Board of Directors,

J. Douglas Streit,
President.

Toronto, Ontario.
February 15, 1971.

AR02



**YELLOWKNIFE BEAR
MINES LIMITED**

INTERIM REPORT

For the Six Months Ended December 31, 1970

YELLOWKNIFE BEAR MINES LIMITED

UNAUDITED CONDENSED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED — DECEMBER 31, 1970
(With comparative figures for 1969)

	1970	1969
INCOME		
Participation in oil well revenue after deducting royalties and production expenses	\$ 45,257	\$ 35,276
Less—Exploration and direct expenses	68,008	267,709
	<u>(\$ 22,751)</u>	<u>(\$ 232,433)</u>
Less—Applied to oil well development costs....	—	—
	<u>(\$ 22,751)</u>	<u>(\$ 232,433)</u>
Dividends received from Canadian corporations	83,028	77,551
Dividends received from Foreign corporations (net)	73,480	79,658
Interest earned	43,883	105,727
Loss on foreign exchange	(15,314)	(7,208)
	<u>\$ 162,326</u>	<u>\$ 23,295</u>
EXPENSES		
Exploration and development—mining	\$ 125,672	\$ 50,632
General and administrative including shareholders reports and transfer fees	51,498	59,215
	<u>\$ 177,170</u>	<u>\$ 109,847</u>
NET LOSS FOR THE PERIOD	<u>\$ 14,844</u>	<u>\$ 86,552</u>

YELLOWKNIFE BEAR MINES LIMITED

UNAUDITED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE SIX MONTHS ENDED — DECEMBER 31, 1970
(With comparative figures for 1969)

	1970	1969
SOURCE OF FUNDS		
Proceeds of sale of investments	\$ 296,194	\$ 18,294
	<u>\$ 296,194</u>	<u>\$ 18,294</u>
APPLICATION OF FUNDS		
Net loss for period before depreciation of \$1,520 (1969 — \$1,600)	\$ 13,324	\$ 84,952
Purchase of investments	232,295	758,480
Cash advances to subsidiary and other companies	323	3,854
Purchase of interest in oil and natural gas reservations	—	486,918
Purchase of interest in mining properties and exploration advances	6,934	12,000
Oil well development and equipment expenditures	86,536	(11,566)
Dividends declared and paid	192,562	192,562
	<u>\$ 531,974</u>	<u>\$1,527,200</u>
REDUCTION IN WORKING CAPITAL	<u>\$ 235,780</u>	<u>\$1,508,906</u>
Working capital — at beginning of period	1,421,526	3,664,031
WORKING CAPITAL — AT END OF	<u><u>\$1,185,746</u></u>	<u><u>\$2,155,125</u></u>